

# Annual Review

Holcim (New Zealand) Ltd for the year ending 2008





# Annual Review

For the year ending 2008

Holcim (New Zealand) Ltd

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## Cover

*Marine Distribution Supervisor, David Baird. Holcim ships carried 422,521 tonnes of cement during 2008 (page 15).*

## Inside Cover

*Skiers can enjoy much improved facilities following a major construction project at Coronet Peak skifield (page 16).*

# About Holcim

From small beginnings in Otago in 1888, Holcim (New Zealand) Ltd has become a cornerstone of the country's construction industry.

Today, Holcim directly employs more than 530\* people at over 35 sites to supply cement, aggregates, ready mixed concrete and lime products to build the country's industries, offices, houses and roads. The head office is in Christchurch.

The Company's vision of providing the foundations for society's future has strengthened over those 120 years to incorporate long-term sustainability of the business and of its activities, and sustainable development that meets the needs of the present without compromising the needs of future generations.

The fulfilment of that vision of sustainability is built into the Company's values of strength, performance and passion: we care about our people, their safety and their development; we care about our customers and their success; and we care about our world, in particular the communities we live and work in. At the same time, sustainability at an operational level also means finding the best solutions for our customers and delivering on our promises, as well as contributing to a strong organisation that is a solid partner, demonstrating global leadership based on strong local relationships.

## Cement

At Westport Works, Holcim produces over 500,000 tonnes of high quality Portland cement a year. Local production is supplemented by imported cement to meet market demands.

Holcim operates two ships, marine terminals around the country and a network of road and rail tankers to deliver bulk cement to our customers. Most of it is used in ready-mixed concrete production.

A small amount of cement (about 10%) is delivered to customers as bagged cement in 40kg and 25kg bags. Our cement brands are Ultracem, Duracem and Rapidcem.

## Aggregates

Holcim operates two large quarries at Bombay, south of Auckland and Hastings, in Hawke's Bay, supplying approximately a million tonnes of premium aggregates annually, primarily to the concrete and roading markets. Further supplies of aggregates are produced by Millbrook Quarries (50% owned) and Atlas Resources (25% owned).

## Concrete

A network of 37 ready-mixed concrete plants owned by Holcim Concrete (100% owned) and AML (50% owned) supply a large share of New Zealand's ready mixed concrete for residential, commercial and infrastructure uses.

## Lime

Holcim has two lime operations – McDonald's Lime (72% owned), in the Waikato, and Taylor's Lime (100% owned), in Otago. Both plants produce large quantities of burnt and hydrated lime, agricultural lime and a range of ground calcium carbonates.

## Social Sustainability

As an employer, our primary responsibility is the health and safety of our employees in the quarries, at plants and at other worksites. Our goal is clear: nobody should come to any harm while working on or visiting a Holcim site.

Holcim is committed to being a good employer by creating an environment of mutual trust and respect for all employees and fostering employee development, initiative and involvement in an environment that is safe, healthy and free from harassment and discrimination. Annual study awards and other initiatives encourage young people to consider a career in the industry.

Holcim strives to be a good neighbour - to be supportive of and have good relationships in the communities in which we operate.

\* Note: Staff numbers exclude the following partly owned subsidiaries and associates: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.



### Environmental Sustainability

Holcim aims to keep the environmental impact of our operations as low as possible through careful, forward-thinking management. Our efforts have been acknowledged with continuing ISO14001 environmental certification at all Holcim sites. The accreditation was achieved through a series of protocols that meet the international ISO environmental standard. The protocols put measures and checks in place that minimise noise and emissions, reduce waste, and conserve energy.

For further information about Holcim New Zealand please visit the website [www.holcim.com/nz](http://www.holcim.com/nz)

### Holcim Ltd

Holcim (New Zealand) Ltd is owned by Holcim Ltd, based in Switzerland. Holcim Ltd is one of the world's leading suppliers of cement, aggregates, concrete and construction-related services. The Holcim group of companies employs some 85,000 people in over 70 countries.

For further information about Holcim Ltd, please visit the website: [www.holcim.com](http://www.holcim.com)

### Holcim Foundation

As part of its commitment to sustainable development in the use of natural resources, Holcim Ltd established the Holcim Foundation for Sustainable Construction in 2003.

The Foundation's purpose is to encourage sustainable responses to technological, environmental, socio-economic and cultural issues affecting building and construction. The Foundation promotes innovative approaches to sustainable construction mainly through Awards competitions, an international forum and project funding.

For further information about the work of the Foundation and profiles of Holcim Awards Competition winners please visit the website [www.holcimfoundation.org](http://www.holcimfoundation.org)



### Since 1888

- 1888** Beginning of the Company's involvement in the New Zealand building industry when the Milburn Lime and Cement Company was incorporated in Otago.
- 1958** New Zealand Cement Company commenced operating a new cement plant at Westport to meet growing demand for cement.
- 1963** Milburn and New Zealand Cement Company merged to form New Zealand Cement Holdings Ltd.
- 1977** Holcim (then known as Holderbank), a Swiss company, bought 52% of New Zealand Cement Holdings Ltd.
- 1980s** Company diversified into concrete operations, including the joint venture AML Ltd.
- 1988** Company celebrated 100 years of operations and changed its name to Milburn New Zealand Ltd.
- 1999** Holcim moved to 100% ownership.
- 2002** The name Holcim (New Zealand) Ltd was adopted and the company rebranded throughout New Zealand.

# Chairman's Review

The impact of the global credit crisis on the country's construction industry was particularly noticeable for Holcim New Zealand in the second half of 2008 and despite a concerted effort and achievement in major cost reductions, falling sales resulted in a year-end decrease in equity.

Thanks are due to all management and staff for their dedication and support in what was a very trying year for everybody.

## Sustainable Development

The constraints imposed by the economic downturn did not affect the Company's commitment to workplace safety or to environmental responsibility.

In particular, it was pleasing to see an improvement in the Company's safety record with a continuing downward trend in lost-time injuries over the past five years to a third of what they were in 2004. Our goal of Zero Harm remains a priority and to this end, it is equally pleasing to see a large increase in the number of safety tours conducted at each site to proactively identify and rectify existing or potential unsafe acts or situations.

The Company's ongoing investment in and obligation to environmental responsibility was acknowledged with two environmental excellence awards during the year, demonstrating a creditable standard of care and respect for the surrounding environment.

For the Board, sustainability means not only securing the future for the Company in the long term, but also reducing risk by understanding the impact of our economic activity on the environment and on society.

Holcim New Zealand has integrated economic, social and environmental sustainability into its annual reporting since 2001 because, along with optimum customer service, the key to future success is in protecting the resources of the communities and the country in which we operate.

Whether it's by recycling used oil in our Westport cement kiln, protecting the significant caves near our Waikato limestone quarry, encouraging two-way communication with our neighbouring communities, or ensuring the safety of our employees, we are firmly committed to the principles of sustainable business.



### Long-term Supply

The Company has a proud 120-year history of industry innovation in New Zealand and continues to remain a cornerstone of the country's infrastructure through our production of cement, aggregates and other construction materials.

To this end, it is important that we secure a long-term domestic supply of cement. This pursuit has taken up a considerable amount of time and in respect of the Weston cement plant proposal has resulted in frustrating delays.

An appeal to the Environment Court for clarification on the meaning of some of the conditions relating to the consents for the proposed Weston plant and to amend the detail in others is due to be heard in early 2009.

### Company Values

The Board of Holcim New Zealand operates according to the Holcim Group global values of strength, performance and passion.

**Strength** – a solid partner, a strong organisation, with people of integrity and strength of character.

**Performance** – delivering on promises, finding the best solutions for customers, demanding excellence, searching for better ways and achieving best results from working together.

**Passion** – dedication and commitment, caring about people, customers, the environment and our communities, and celebrating success.

The Board is characterised by a culture of accountability, independence, trust, diligence and candour, and keeps a close eye on conformance and risk.

### Risk Reduction

The Board actively analyses the risks associated with the business and takes steps to reduce or eliminate them.

The Board's Audit and Compliance Committee ensures that management has the right systems

in place to produce various internal and external audits and to provide accurate annual accounts and financial statements. The Committee also ensures that the Company's health and safety, environmental and insurance risks are all identified, managed and monitored.

The internal audit function within Holcim New Zealand is governed by an internal audit charter and in addition, the head of Holcim Group's Internal Audit regularly monitors the Company's activities for reporting to the Group.

Holcim Ltd also monitors and audits all Group companies to ensure they comply with local law and Holcim Ltd guidelines.

### Government and Business

Supply-side Government action to encourage and maintain as much employment and economic activity as possible is commendable and should go some way to revive the depressed economy. In particular, its pledge to invest in major infrastructure over the next few years will provide a major boost to the construction industry nationwide.

Although nobody can predict how long the recession will last, New Zealand seems to be well-placed to ride out the storm.

### Thank You

On behalf of the Board, I would like to thank everyone at Holcim New Zealand, as well as our associate organisations, for their support and partnership in these difficult times.



**John Lindsay**  
Chairman

# Managing Director's Review

The challenging economic environment required management to review priorities and act decisively to reduce costs in all parts of the Company.

For Holcim New Zealand, the first half of 2008 saw sales and production levels holding up reasonably well across all divisions, although financial performance was affected by unprecedented rises in fuel and thermal energy costs. In the second half however, the deepening global credit crisis started to impact the New Zealand construction industry resulting in the financial performance of the Company being down on budget by 20%.

This was despite substantial efforts by people across all divisions to find ways of doing more with less, finding new business, and trying to recover steep rises in fuel with modest price rises. Management cut back or deferred travel, consultant costs were reduced, staff training costs brought down, and quarry-stripping was deferred.

Initially, the actual number of job redundancies was assisted by not replacing people who left, but by the fourth quarter it was clear that some redundancies would have to result from the fall in demand.

Despite these challenges, some major projects were substantially completed throughout the year as we looked to replace ageing equipment and invest in the future. In particular, two new concrete plants (one for Holcim Concrete in Auckland and one in Christchurch for AML) neared completion for operation in early 2009.

At present it is difficult to pick is how deep and long the current recession will be and what effect it will have on the construction industry. For our parent Holcim Ltd, the situation is no less serious but its strong balance sheet and a determination to weather the global storm is evident.

Holcim New Zealand has experienced many tough economic cycles since 1888. Then, as today it was the dedication, skill and passion of our people that ensured the Company's success. Notable too was the part played by Government in reducing the impact of these downturns by initiating major infrastructure projects. We therefore welcome the new Government's announcement on fast-tracking \$500 million worth of infrastructure projects in 2009, and the establishment of a National Infrastructure Unit to facilitate further projects.



I would like to thank everyone throughout the Company who is contributing to finding ways of ensuring we can come through this tough period. Our customers can be assured that any measures we take over this period will do nothing to compromise the ability of the business to supply them in the long term.

#### **Safety Performance**

Holcim New Zealand's Directors, management and staff are united in the belief that everyone must return home uninjured after a day's work: that nobody should come to any harm while employed, working on, or visiting a Company site. The practical application of this belief is the Zero Harm-Safety First initiative which has the simple aim of achieving a zero-harm culture throughout the company. One of the key indicators of safety in a workplace is the number of lost-time injuries, where the employee is unable to resume work for the next shift. At some of the Company's sites and plants the number has been zero for a number of years, but the overall number – while low and still falling – also needs to be zero.

#### **Environmental Performance**

Holcim New Zealand's investment in environmental initiatives over the past few years is now standing us in good stead, because these initiatives have also helped to lower operating costs. Whether at Westport Works or McDonald's Lime, or at concrete plants or quarries, rising operating costs have been mitigated by the Company's drive to reduce emissions and the use of non-renewable fuels, to re-use and recycle, and to be more fuel efficient on the road and at sea.

#### **Holcim Ltd**

Holcim New Zealand is owned by Holcim Ltd which continues to lead the way in seeking both environmental excellence and a high level of social responsibility worldwide. In 2008, for the fourth year in succession, Holcim was named Leader of the Industry in the Dow Jones Sustainability Index, being once again acknowledged as the international company with the best sustainability performance in the building materials industry. Holcim was also included in the Dow Jones STOXX Sustainability Index which comprises the top 10% of the 2500 Companies in the index. Key factors in being named a leader were the quality of the Company's dialogue with stakeholders, and its efforts in developing human resources.



**Jeremy Smith**  
Managing Director

# Board Composition

## Holcim (New Zealand) Ltd Board



1	4
2	5
3	6

### 1 John Lindsay (Chairman)

John has had extensive business experience as Chief Executive and board member of various large manufacturing and service companies, based in New Zealand and operating internationally, as a member of the executive committee of several national trade associations and as an independent director of the New Zealand Rugby Union.

He is Chairman of the Auckland Regional Chamber of Commerce and Industry, the New Zealand Chambers of Commerce and Industry and is a Director of a number of other companies including Ports of Auckland Ltd. A member of the Audit and Compliance Committee, John has been a Director of Holcim New Zealand since 1999 and Chairman of the Board since 1 April 2004.

### 2 Jeremy Smith (Managing Director)

Appointed to the role of Chief Executive of Holcim New Zealand in June 2007, Jeremy was appointed to the Board in November of that year. He joined Holcim in 2000 and has held general management positions in the Lime and Cement divisions. A qualified lawyer, he has previously worked in executive management roles in other industries.

### 3 Tom Clough

Tom joined the Executive Committee of parent company Holcim Ltd in 2004, and has responsibility for East Asia, the Philippines and Oceania, as well as South and East Africa. Previous positions with Holcim include CEO of Holcim's Philippine Group company and Chief Executive of Jakarta-based PT Holcim Indonesia Tbk.

### 4 Murray Valentine

Murray is a director and investor in a number of South Island based companies involved in tourism, hotels and farming and in a New Zealand geographic information services company. He owns and operates the Dunedin based firm of Chartered Accountants, Jackson Valentine Limited, and is also a director of Alpine Deer Group Limited, Animation Research Limited, Farra Engineering Limited, Queenstown Airport Corporation Limited and Trojan Holdings Limited. Murray has been a director of Holcim New Zealand since 1988. He is Chair of the Audit and Compliance Committee.

### 5 Simon Upton

Former member of Parliament and Cabinet Minister Simon Upton joined the Board in 2007, furthering his four-year involvement with Holcim internationally as an Advisory Board member of the Holcim Foundation for Sustainable Construction. He is a member of the Audit and Compliance Committee.

### 6 Paul O'Callaghan

Formerly Chief Operating Officer for Holcim Philippines, Paul O'Callaghan has over 20 years experience in the cement industry. Prior to moving to the Philippines in 2001, he held a variety of positions in Queensland Cement Ltd.

He is also a director of both Cement Australia and Huaxin Cement, China.

*Holcim Cement sales and marketing representative Mike Hand (right) on site at Hynds Pipeline Systems with technical services manager Americo Dos Santos.*

# Economic Sustainability



# Operational Highlights

A significant fall in activity across the construction industry in the second half of the year resulted in difficult trading conditions for the Company's cement and concrete divisions.

## Cement

- Cement sales fell by 4% from 2007's record of 643,000 tonnes, with the second half of the year particularly affected by the economic downturn.
- Clinker production at Westport Works held up well, being just 1% short of 2007's record level.
- Collection volumes in the Used Oil Recovery Programme were reduced by competition for used oil from less environmentally secure users, resulting in more coal being needed to heat the kilns.

## Concrete

- Total sales by volume were 10% down on last year, with a major contraction in the market in the second half of the year.
- Steeply rising energy costs, especially for diesel, put major pressure on margins only partly offset by modest price increases.
- Successful large-scale production of concrete using crushed recycled glass (glasscrete) to replace aggregate was achieved for Lion Nathan's new Auckland brewery.
- New \$7 million 170 cubic metres per hour wet-batch plant at Avondale was on schedule for May 2009 commissioning, with similar-sized AML dry-batch Christchurch plant also scheduled for early 2009 opening.

## Aggregates

- Sales volumes increased, driven by a strong performance by Hastings Quarry and strategic decision to source only Bombay Quarry aggregate for Holcim Concrete.
- Jones Block extension at Bombay Quarry fully consented and ready for commissioning.
- Non-concrete infrastructure contracts – mainly roading – continued at good levels.

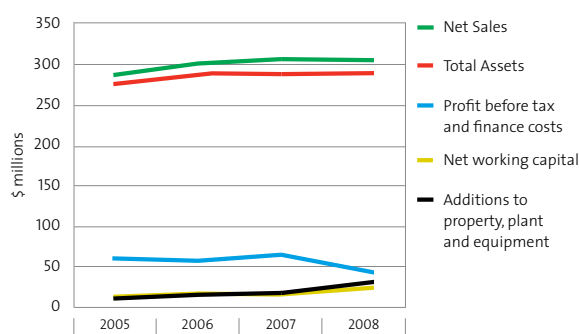
## Lime

- Agricultural lime sales up by 15%, although calcinated sales relatively flat.
- Thermal efficiency project produced major energy cost savings at McDonald's Lime.
- LimeLive website – [onlime.co.nz](http://onlime.co.nz) - proved hit with farmers.

## Outlook for 2009

At the start of 2009, there was uncertainty about how New Zealand would be affected by the unprecedented financial events unfolding in the northern hemisphere. In 2008, there was a 10% fall to \$10.76 billion in the value of all building permits issued, with those issued for residential buildings falling by 20% to \$6.23 billion. However those for non-residential buildings rose by 7.7% to \$4.52 billion and the Government's expressed intentions of stimulating cement-consuming infrastructure activity indicated this increase might continue during 2009. Total cement consumption however is expected to decline from the level of about 1.4 million tonnes reached in 2008. Of assistance in reducing the cost of debt are predicted decreases in the official cash rate to as low as 2% from the 2008 highs of 8.25%, and the rate of inflation is predicted to fall from its year-end figure of 3.4%. But with New Zealand officially in a recession going into 2009, Holcim New Zealand expects a very difficult year to unfold.

## Company Overview



# Financial Result

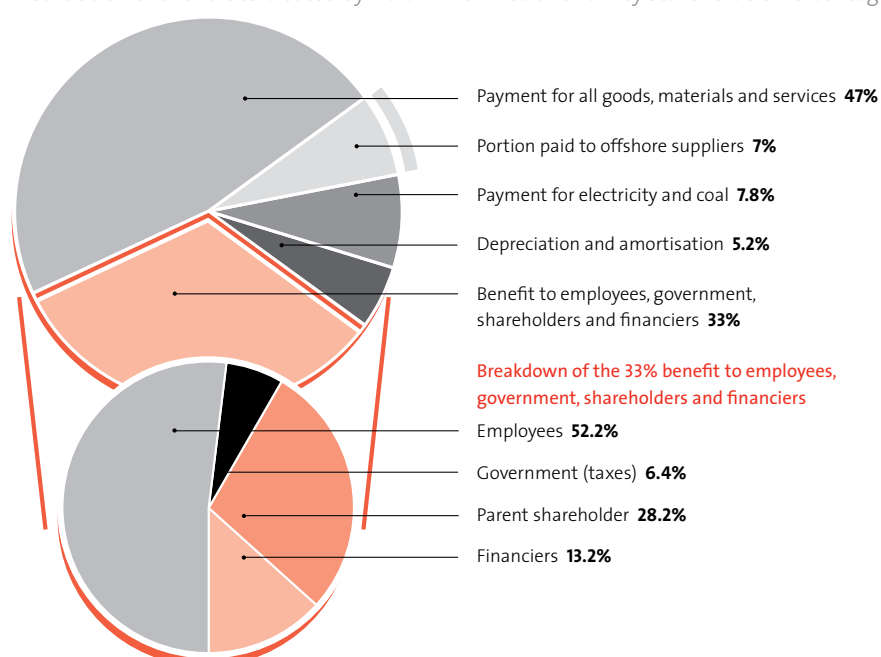
## Value Creation

Values created by Holcim New Zealand for our key stakeholders

	2007	2008
	\$000	\$000 Total <i>Offshore portion</i>
<b>Net Sales</b>	311,905	300,180
Other Income	9,305	6,261
<b>Total Income</b>	321,210	306,441
<b>Less</b>		
Payment for goods, materials and services	-168,662	-165,483
<i>Portion paid to offshore suppliers</i>		-21,600
Payment for electricity and coal	-19,145	-24,077
Depreciation and amortisation	-15,819	-15,819
<b>Less</b>		
Benefits provided to		
Employees	-54,240	-57,123
Government (taxes)	-13,427	-6,998
Parent Shareholder	-23,457	-26,670
Financiers	-13,908	-14,478
<b>Increase in total equity</b>	12,552	-4,207

## Distribution

Distribution of the values created by Holcim New Zealand for key stakeholders. Percentage of net sales



# Production and Sales

After reasonable total sales in the first half of the year, the contraction of building activity in all sectors hit home in the second half. As a result, total sales decreased by 3.7% to \$300.18 million, reflecting the country's deepening economic recession. Despite this, cement sales for the year fell by only 4% compared with 2007's record, and clinker production at Westport Works was just 1% short of the record set in 2007.

Holcim Concrete's volumes were substantially down on the previous year's level, and while sales held up well in the first half, the second half saw demand falling as the residential and commercial building sectors contracted.

By contrast, Holcim Aggregates had a reasonable year in the circumstances, with volumes slightly up on 2007. This was due largely to a strong performance from Hastings Quarry, and a steady performance from the joint venture Millbrook Quarry at Whangaripo as well as the strategic decision by Holcim Concrete to source aggregate only from Bombay Quarry.

Agricultural lime production continued at high levels while calcinated lime sales were steady.

## Cement

Meeting or exceeding 2007's record sales of 643,000 tonnes was always going to be a challenge. Cement sales were at budgeted levels until June, but from July onwards trended down with total sales of 619,000 tonnes by year's end. Maintaining the right level of imported cement from our secure supplier in China proved challenging after Chinese Government controls reduced production at many cement plants during the Olympic Games. Imported cement meets or exceeds all New Zealand standards and is tested and certified before sale to our customers.

Once again, staff and management at Westport Works and Quarry performed admirably to produce 453,000 tonnes of clinker (compared with the record 458,000 tonnes in 2007). Clinker is milled together with various ingredients to make different kinds of cement.

During the year two sections of the largest kiln were "sliced out" and replaced in a scheduled 18-day project that was testament to the technical and operational skills of those at the plant.

Of concern was a decrease in the amount of used oil collected by the Used Oil Recovery Programme. This form of energy is used to replace coal in firing the kilns, with the very high temperatures being the country's only environmentally secure way of dealing with this otherwise hazardous material. The shortage was caused by commercial and industrial users' sudden demand for used oil in the face of steep rises in the cost of ordinary fuel oil. This issue is highlighted on Page 30.

A very positive note to emerge from a difficult year was the realisation that over ten years of solid work to upgrade the environmental performance of Westport Works had also resulted in substantial energy savings being achieved. In a year where huge increases in diesel, coal and electricity costs coincided with a major market downturn, these savings were a significant factor in maintaining the Works' profitability.

## Concrete

Holcim Concrete sales were strong until July, when the full effect of the downturn in the residential and commercial building sector had its results in the market. At year's end volumes were about 20% down on 2007 at 714,000 m<sup>3</sup> cubic metres including a share of the AML joint venture. Revenue did not fall as much because of modest price rises coupled with strict attention to containing costs.

Holcim Concrete was essentially caught between falling volumes and steep fuel prices and other cost increases which had a major effect on margins. Earlier decisions to invest in the most fuel efficient concrete truck fleet possible paid dividends along with all the work on perfecting the most cost-effective way of organising concrete deliveries across Auckland.

Despite the economic downturn, work continued on completing a new concrete plant at Avondale for



commissioning in May 2009. This plant is designed to operate at a high level of environmental performance and has capacity to produce about 170 cubic metres of concrete per hour. Avondale is a wet-batch plant where the concrete is made in one large bowl and poured into waiting concrete trucks. This gives precise control of the ingredients with resulting benefits for concrete quality. In Christchurch the joint venture AML commissioned a dry-batch plant also capable of producing 200 cubic metres per hour.

During the year Holcim Concrete was proud to be the supplier through Mainzeal to Lion Nathan's new Project Century brewery in Auckland. This major contract involved the technical development and delivery of concrete using crushed recycled glass to replace a large amount of quarried aggregate, reflecting Lion Nathan's determination to build and operate an environmentally sustainable brewery.

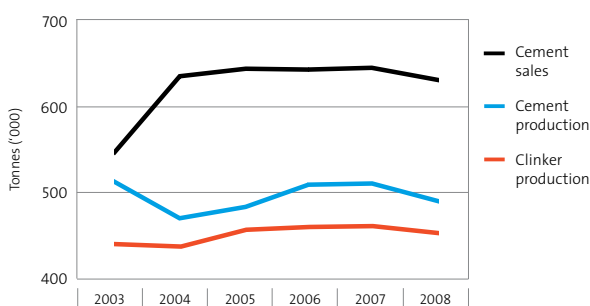
#### Aggregates

Production of aggregates from Hastings Quarry and Bombay Quarry was just under one million tonnes. The joint venture Millbrook Quarry also produced significant volumes, although there was a noticeable drop in aggregate tonnage going into areas north of Auckland City.

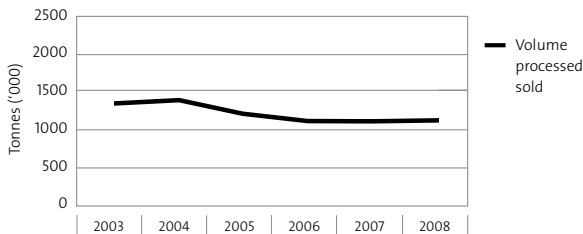
Hastings Quarry performed strongly, especially in gaining non-concrete contracts for asphalt and road resealing. During the year, in Auckland, Holcim Concrete made a decision to source aggregate only from Bombay Quarry which helped Bombay compensate for declining demand from other customers.

The Jones Block extension at Bombay Quarry is now fully consented and expected to open in 2010 to meet expected increased demand. Eventually, most of Bombay's output will be sourced from here.

#### Holcim Cement volumes

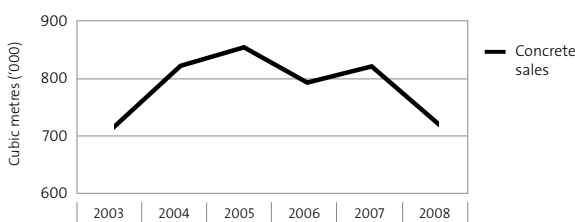


#### Holcim Aggregates volumes

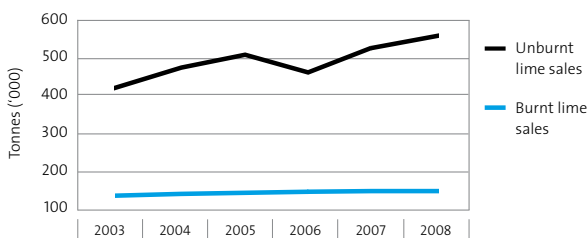


**Note:** This does not include sales from Atlas Resources (25% owned).

#### Holcim Concrete volumes



#### Lime volumes



### Lime

Sales of agricultural lime rose 15% to record levels as dairy conversions and recognition by farmers of lime as a phosphate cost saver continued to grow. Sales of calcinated lime were steady.

Logistics efficiencies were implemented around export volumes. This was helped by the shipper Sofrana's decision to increase its capacity on the run. In the past three years McDonald's Lime has put a lot of effort into reducing the costs around exports and has had excellent cooperation from the Port of Tauranga and, recently, from rail operator Toll. In late 2007 transporting containers of lime to the Port by road came to an end and product was transferred to rail. This year about 230 trainloads took the lime to Tauranga instead of 2300 truck movements, a major reduction in fuel use, road traffic and freight costs.

Total sales for Taylor's Lime were ahead of expectations.

Early in the year McDonald's Lime initiated a review of energy use in its largest kiln for making calcinated lime and a large number of ideas about saving energy were examined and many put in place. The result was a substantial increase in the plant's thermal efficiency including the use of lower-priced coal, better quality control over the production process and a reduction in the output of CO<sub>2</sub> per tonne of product.

### Fiji

Holcim New Zealand has two interests in Fiji – a 49% share in concrete producer Basic Industries Ltd and a 24% share in cement producer Fiji Industries Ltd. Basic Industries produces ready-mix concrete, pipes, pre-cast and aggregates. The business of both companies continued to be affected by the economic downturn which largely resulted from the coup of 2007. Each company has a thriving export business to other Pacific island countries however, notably Cook Islands, Kingdom of Tonga, American Samoa and Papua New Guinea. These exports continued at good levels during the year.

### Holcim Ltd

The financial result of our parent Holcim Ltd for the twelve months to 31 December 2008 also reflected the contraction of the construction industry on a worldwide basis.

Total sales of cement fell 4% to 143 million tonnes while sales of aggregates fell by 10% to 167 million tonnes, and asphalt by 8% to 13.5 million tonnes. Sales of ready-mixed concrete rose however by 7% to 48.5 million cubic metres.

Altogether this resulted in a 7% fall in sales to CHF 25.2 billion, and the operating EBITDA (earnings before payment of interest, taxes, depreciation and amortisation) fell by 23% to CHF 5.3 billion. Operating profit fell by 33% to CHF 3.36 billion.

Given the world's economic situation, these were positive figures, especially since higher costs for energy and other inputs as well as unfavorable currency effects also affected the company.

Because Holcim Ltd was involved in exiting operations in some countries, when the 2008 results were compared with 2007 on a like-for-like basis, net sales increased by 4%, operating EBITDA declined by 10%, and the operating profit fell by 19%.

During the year, swift capacity adjustments were made, including cement plant closures in the United States and Spain. Decisive cutbacks of fixed costs at Group and Group company level were achieved.

Holcim Ltd's balance sheet remained strong with a high level of liquidity, and to help maintain liquidity for the year ahead the dividend per share of CHF 2.25 was paid in shares, with the basis of the payout remaining unchanged.

Our parent's solidity is underpinned by the fact that the Group generated free cash flow of some CHF 2.6 billion in 2008. Thanks to a cautious financial policy, strong cash flow and strict management of net current assets, Holcim Ltd's liquidity at the end of 2008 remained at a high level of CHF 5.6 billion. In combination with a strong balance sheet, this served to maintain a solid credit rating.

Looking to 2009, the Company said it would be another difficult year for the construction and building materials sectors. Although government support programmes had been announced, a further decline in demand was expected. However it was clear that the industry would particularly benefit from an economic upswing.

# Distribution



## Holcim Cement

Less challenging Westport bar conditions compared to the last two years allowed distribution of cement by Holcim New Zealand's two cement carriers mv Milburn Carrier II and mv Westport with only 51 lost cement shipping days. With no prolonged breaks in harbour access, only minor use was made of the contingency trucking fleet. This fleet can be actioned to ensure the national cement supply chain is maintained if the cement ships are unable to access the Port of Westport for any length of time. Cement can be trucked from Westport Works for shipping through the Port of Nelson.

Altogether, the two ships carried a total of 422,521 tonnes of cement predominantly to the Ports of Onehunga, Lyttelton and Wellington, a reduction of 5% compared with 2007.

Plans are still on track for replacement of the mv Westport in 2012. The replacement option chosen will be influenced by a decision whether to build a new plant at Weston, the preferred long-term cement supply option but still subject to regulatory consents and Holcim Ltd approval. If the Weston option was chosen, the replacement ship would use the deep-draught Port of Timaru.

### Road

Considerable capital investment in new fuel-efficient cement delivery tankers over the past three years paid off in a year that saw unprecedented rises in the cost of diesel. These tankers, carrying up to 29 tonnes of cement, deliver bulk cement from port storage silos to customers' concrete plants throughout the country. During the year, the final stage of a GPS-based cement delivery management system was put in place. Called EVS (Enterprise Visibility System) and developed mainly inhouse, the basis of the system was introduced in 2006, and just two years later is operating at SAP level. EVS captures all customer orders and sends the information to drivers via the Vodafone network. This includes the pick-up depot, product type, customer details and order number. The ability to optimise scheduling of cement deliveries is a key cost-saving benefit of EVS.

### Rail

Where it is available, using rail to transport bulk cement is an efficient use of fuel and results in a substantial reduction in road traffic. In 2007, Holcim New Zealand increased the quantity of bulk cement railed to the Sockburn depot using the Midland Line through the Southern Alps. This year these shipments continued at the rate of about 750 tonnes a week.

## Holcim Concrete

With up to 87 concrete delivery trucks on the road on any one day, Holcim Concrete uses a good part of the approximately 200,000 litres of diesel fuel purchased every month by Holcim New Zealand. The steep rise in the cost of fuel has been offset somewhat by recent investment in fuel efficient delivery vehicles such as the eight-wheel trucks carrying 6.4 m<sup>3</sup> of concrete. Research shows that a driver has considerable influence over their vehicle's fuel consumption - in fact efficient drivers can reduce fuel consumption by up to 33%.

Holcim Concrete drivers are playing a leading role in reducing fuel consumption. Their efforts are being supported by the Holcim Smart Drive Campaign, an education programme showing the drivers how they can save fuel, reduce vehicle maintenance costs and protect the environment.

# Significant Projects

*Design concept  
for the Lion  
Nathan  
brewhouse in  
East Tamaki.*

## Project Century - Lion Nathan Brewery

Using recycled waste glass to replace some of the aggregate used to make concrete won the Cement and Concrete Association's inaugural 2008 Concrete Sustainability Award for Holcim Concrete and construction partner Mainzeal in October.

The new concrete, sometimes called "glasscrete", is being used to build much of the Project Century brewery for Lion Nathan in East Tamaki.

When Lion Nathan said it wanted recycled waste glass in the concrete being used to build the brewery, it was the first time a customer had specified this kind of concrete for a construction project in New Zealand.

Earlier studies had shown that putting recycled glass into the concrete mix to make glasscrete had unexpected effects on the strength of the concrete. Only in relatively recent times had attention turned to solving these issues, driven by the increasing availability of recycled glass, issues around supply of aggregate and a desire by both the supplier and the customer to achieve environmental sustainability.

The building contract and supply of concrete for Project Century is a partnership between Mainzeal Property & Construction Ltd and Holcim Concrete, with responsibility for ensuring the concrete would meet all applicable standards being accepted by the Holcim Construction Materials Testing Laboratory in Auckland. This IANZ-accredited lab is an independent testing facility used by a large number of participants in the building industry. Holcim New Zealand also has a Technical Unit at Westport Works for testing its cement.

Glass is often thought to be inert, but its high silica content can react with the alkalis in cement to affect its strength, so a low-alkali cement is called for. After a lengthy testing regime, the right proportions and form of the glass were specified, and then production samples of the concrete were sent to Australia for standards testing as there was, as yet, no accredited laboratory for this in New Zealand.

Holcim Concrete formed a partnership with recyclers Visy NZ to work on producing the glass in the sand-like form that was required.

Glass recycled by Aucklanders will end up in the new brewery when it's completed in 2010. Fittingly, some of the glass includes recycled beer bottles.



## New base building at Coronet Peak

Imagine a major construction project that could be expected to take about nine months to complete under normal conditions. Then move the project to Coronet Peak Ski Area near Queenstown where at 1220 metres above sea level alpine conditions prevail even in the summer and you have just a seven-month window to get the job done.

Allied Queenstown Concrete was among the principal contractors who were assembled by project managers Arrow International to tackle this major Coronet Peak redevelopment. The job, using Holcim Cement, involved running three to four concrete trucks a day for three months, sometimes working round the clock with early-morning and late-night pours.

The Company is used to pouring concrete in the cold, adding accelerators to the mix to speed setting. Predictably it snowed and towards the end of the pour, heaters, blowers and overnight covers were used as temperatures fell below zero.



Allied Queenstown Concrete supplied all the in-situ concrete on the mountain, including for the base building with its concrete floors and deck.

Two pumphouses were placed part-way up the mountain and where it was impossible to pump, concrete was skipped in by an 80-tonne crawler crane. Arrow International's project manager Craig Brosnan said the entire team went the extra mile on the project "and we delivered a stunning result".

#### Infrastructure in Auckland

Three projects in Auckland during the year showed the importance of Government and local authority-funded infrastructure projects to maintaining employment when there is a downturn in commercial activity.

At the smaller end was the excavation and relaying of a major roundabout that posed significant challenges for one of Holcim Concrete's customers Fulton Hogan Ltd. The original plan was to excavate half the roundabout for structural asphalt, but this plan underwent a rapid change when the ground underneath was found to be unsound. The solution was to put a concrete substructure in place. A major technical issue was that the concrete had to be poured, set and ready for heavy traffic in less than nine hours in the early hours of a Sunday morning.

For a product like concrete this was a demanding timeframe involving meticulous planning, laboratory support for Holcim Concrete's Avondale plant to produce the right rapid-hardening mix, skilled drivers and placers and a team who knew exactly what they were doing.

A larger project was Auckland City Council's Central Connector, an important new bus priority lane in the heart of Auckland City. The contract was won by Fulton Hogan with Holcim Concrete customer John Fillmore Contracting Ltd (JFC) providing kerbing, footpaths and secondary drainage along the route. This involved about 15,000sqm of new footpath alone using an attractive black-oxide exposed concrete. Work is due for completion in early 2010. Holcim Concrete has previously worked with JFC on other Auckland City footpath projects, which

involve quick work and expert traffic management to minimise disruption to road users.

Currently the largest and most complex infrastructure project that Holcim Concrete is involved in is the construction of a total of 6.3 kilometres of ocean outfall tunnels, at Hobson Bay (3kms for Watercare Services Ltd) and Rosedale (3.3kms for North Shore City Council).

The main contractors are McConnell Dowell, with Holcim Concrete supplying concrete to Wilson Tunnelling. The two projects are using 15,000 m<sup>3</sup> of concrete with a special pre-cast plant working for nearly 14 months to supply the concrete panels for the tunnels. To ensure the daily production rate is met, Holcim has installed a 30-tonne cement pressure silo bringing storage capacity up to 60 tonnes. The tunnels are 4.2m in diameter and are built in ring sections. Over 30,000 tunnel segments are going into the ring sections and their making and placing calls for the utmost accuracy. The grooves and faces of the segments have just 0.3mm tolerance with the widths and lengths 0.5mm. The concrete mix was designed with technical input from Holcim Concrete to ensure maximum control over shrinkage to achieve these placement tolerances.



*The new base building at Coronet Peak.*

## Long-term Cement Supply Options

*Board members receive an update on the project.*

Progress on resolving Holcim New Zealand's long-term cement supply options continued during 2008.

In February, the panel of independent commissioners appointed by the Otago Regional Council and Waitaki District Council granted Holcim consents to operate a new cement plant and associated quarries and pits at Weston near Oamaru. The Weston option is Holcim New Zealand's preferred option, with the second option being to continue the current Westport Works operation, with an appropriate maintenance and capital works programme, in combination with imports on a bulk basis.

After reviewing the consents, Holcim New Zealand decided to appeal to the Environment Court for clarification on the meaning of a number of conditions and to amend the detail in others.

Overall, Holcim New Zealand wants to ensure reasonable and workable conditions based on the effects, as identified in the various technical reports and as supported by the technical experts, that could result from the construction and operation of the proposed plant.

The Environment Court appeal was set down to be heard in Oamaru during March 2009 and is expected to take three weeks, including a site visit.



Following the outcome of this appeal, Holcim New Zealand will complete the business case before making a recommendation to its parent company Holcim Ltd which will make the final decision. The cost of the new plant, with related quarries and pits, a new ship for cement distribution and associated distribution systems is estimated to be in the order of \$500 million.

In the meantime Holcim New Zealand continues with its wide-ranging staff and community consultation over both the Weston and Westport options.

Further information and updates on the project is available at [www.holcim.com/nz](http://www.holcim.com/nz)

## Capital Investment

*The new Avondale concrete plant under construction.*

Throughout 2008 work progressed on the construction of two new concrete plants with a combined value of \$17 million.

One at Avondale for Holcim Concrete will replace the existing plant and add further capacity to service growth in the West and Central Auckland region. The other plant is located on land owned by the Isaac Wildlife Trust in Christchurch North and was built for our joint venture partner AML. It replaces two aging plants.

Both plants are due for commissioning in 2009 and are built to exacting standards for efficiency, safety and environmental performance.

A number of projects planned for 2008 were stopped or postponed as a result of measures taken to react to the slowdown in the construction industry.



*Improved access to Gibson's Beach near Westport was provided as part of our Community Support Programme.*

# Social Sustainability



**WALKWAY TO GIBSONS BEACH**  
**CAUTION REQUIRED ON STEEP TRACK**  
**ACCESS HAS BEEN KINDLY**  
**PROVIDED BY HOLCIM**

# Social Sustainability

Holcim New Zealand continues to seek ways to meet the present needs of our staff, our stakeholders and the communities in which we operate, while safeguarding the ability of future generations to meet their own needs.

Our vision of providing the foundations for society's future is encapsulated in our corporate social responsibility strategy, which provides staff with principles guiding business conduct, employment practices, occupational health and safety, community involvement, customer and supplier relations, and monitoring our performance in these areas. These principles underpin our ongoing commitment to building and maintaining relationships of mutual trust with all stakeholders, including staff.

## Safety Initiatives



For the past four years, Holcim New Zealand has been fully committed at all levels to encouraging employees, contractors and site visitors to embrace a culture of positive safety behaviour and compliance that will achieve our vision of Zero Harm.

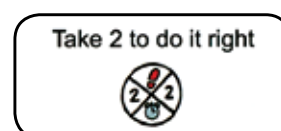
Over this time, all employees have received the **Zero Harm – Safety First** message loud and clear. They know their responsibilities in terms of safe work practices and what is expected of them but there is still some work to be done in ensuring everybody actually fulfils their obligations and follows the safety procedures in place. Safe behaviour will always be critical to the success of Zero Harm.

For this reason, the safety team carried out a series of safety audits during the year to find out how well the Zero Harm culture is embedded and where improvements can be made.

Varying levels of responsiveness were identified in the audits and instances of safety procedures not being followed were noted and are being remedied. The audits and associated safety tours looked closely at Job Hazard Analysis; Fall Prevention; Contractor Management; Lock, Tag and Try; and Confined Space Entry procedures and noted where improvements could be made and which sites were falling behind requirements. In all cases, remedial action was taken and ongoing observation of safety procedures at all sites will continue in 2009.

**Safety Tours** – Regular safety tours at all sites remain the foundation for attaining Zero Harm and these

continued to increase in number and value during 2008. By year end, 5982 safety tours had occurred across all sites, an improvement on the 4858 carried out the year before. Safety tours are now part of the Company culture and staff are in no doubt that the tours are effective at identifying and addressing safety issues, no matter how small. The increasing number of safety tours and their Company-wide acceptance has led to the identification and resolution of an increasing number of potential safety issues. In particular, safety tours have reported back a need for more attention to detail in wearing and maintaining personal protective equipment (PPE) such as reflective vests, safety glasses and earmuffs, leading to a series of PPE training sessions at various sites.



**Take 2 to do it Right** – a personal risk assessment tool used before all tasks are begun, this involves stepping back two paces from the job and taking two minutes to think through the safety implications before taking action. Take 2 training, initiated in 2007, was completed in 2008 with the result that almost all staff have been fully trained and "Take 2" has become a catchphrase now for hazard management. A staff initiative to produce prompt cards has seen these introduced at all sites after people have received their Take 2 training. All new staff receive Take 2 training as part of their induction, along with an initiation into all the other initiatives that contribute to creating a Zero Harm – Safety First culture.

**Actions Employees can Take** – Another risk management initiative that continued during the year, this involves



encouraging staff to “choose not to look the other way” when they see something potentially hazardous and provides proper procedures to follow, including instant reporting.

**Job Hazard Analysis** – This ensures tasks are planned with safety as an integral part of the documented process by identifying and assessing each step along the way and defining the appropriate controls to eliminate, isolate or minimise hazards. Initiated towards the end of 2007, the roll-out of training in the procedure was completed in the first quarter of 2008. The safety audit later in the year showed that some sites were using this safety tool to advantage, while other sites had yet to fully adopt it.

**Prevention of Falls** – Awareness training in prevention of falls was continued concurrently with Job Hazard Analysis as part of a one-day training session and was also completed in the first quarter of 2008. In addition, surveys at all sites led to some structural modifications to eliminate or isolate the falling risk by, where possible, minimising the need to work at height and avoiding the need for using harnesses. This involved adding platforms around high work areas or bringing the work to be done down to ground level.

**Safety Leadership Programme** – Two Safety Leadership Programmes were completed by 29 staff and one contractor during 2008. The programme was initiated two years earlier and covers the people aspects of safety as well as the systems, legislation, accountability, coaching and processes needed for effective safety management.

**Safety Alerts and Good Ideas Database** – Used to communicate to all divisions any incidents, hazards, corrective actions and health and safety improvements, the database continued to share information, with a focus during the year on safety alerts and a higher level of incident investigation.

**Incident Investigation** – Assessment of the effectiveness of incident investigations and incident management continued. During the year, a further nine new investigators were trained in the Incident Causation

Analysis Method of investigation, bringing the total number of ICAM trained staff to 21. Incident investigation also includes looking at the level of potential for harm as well as actual harm caused.

#### **Contractor Management**

– During the safety audits carried out later in the year, the seven stages of the contractor safety management programme were audited across most sites. 22 contractor site inductors were trained during the year, ensuring all contractors receive safety training and monitoring. Each site must have two trained inductors. A review of the programme is being initiated by Holcim Ltd.

**Managing Rescues** – The Westport Works rescue team, which has been involved in rescue planning and action, was used as a model for setting up a rescue team at McDonald's Lime and the Oparure Quarry site. Training was given by the Westport rescue team trainer and the McDonald's Lime rescue team was fully conversant with all the requisite standards and processes by the time its first simulated rescue exercises took place on site. The first exercise involved a fall from height and the second involved the evacuation of the Otorohanga plant. Both scenarios included working with emergency services personnel.

**Fatality Prevention Elements (FPE)** – A Holcim Ltd initiative to better control hazards in activities where there is a high risk of serious harm or fatality, Fatality Prevention Elements are often developed as a result of investigations into fatal accidents. The initial approach is to identify the gaps between the Holcim FPE and Holcim New Zealand systems and processes, then to develop an action plan to implement improvements where needed. During the year the Holcim Safety Council appointed FPE champions to lead the process through each of the Company's safety initiatives.



*Children and grandchildren of employees entered the Zero Harm poster competition.*

# Safety Performance

Holcim New Zealand continued to strive for Zero Harm during 2008, with some success, particularly in reducing the frequency of lost time injuries, which fell by 37% over the previous year. This represented nine injuries for every million hours worked.

However, three employee injuries which occurred late in 2007 required significant time off work after medical advice determined alternative duties were not an option. This led to an increase in the severity rate by 81%, representing 460 hours lost per million hours worked.

Sprains and strains continue to be the most frustrating contributor to lost time injuries. Further efforts to address this were made by introducing specialised training, piloted initially at McDonald's Lime, to staff working in shipping and concrete. If this proves successful in reducing injuries caused by sprains and strains, the training will be introduced into other divisions.

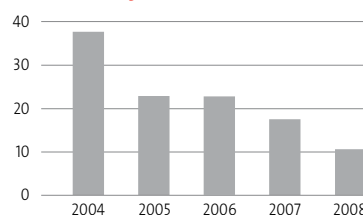
## Eye Protection

The number of eye injuries decreased significantly for the second year in a row in response to increased emphasis on the use of protective eye wear. The eye injury rate has fallen over two years from 20% of all injuries to just 4%.

## ACC Partnership Programme

Holcim New Zealand has regained its tertiary level position, the highest rating in the ACC Partnership Programme after audits at Westport Works, Westport Quarry and Buller Port Services. The Partnership Programme enables the Company to take on ACC's usual role of administering, remunerating and rehabilitating employees injured at work.

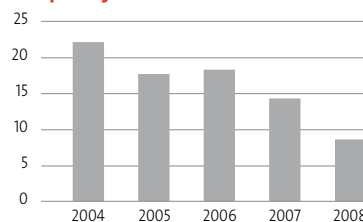
## Lost Time Injuries



A Lost Time Injury (LTI) is one where the employee is unable to resume work for the next shift.

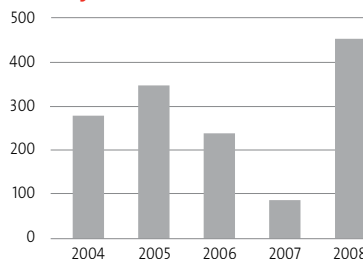
A Medical Treatment Injury recorded in 2008 has now been re-evaluated as a Lost Time Injury as further medical treatment and time off will be required in 2009.

## Frequency Rate



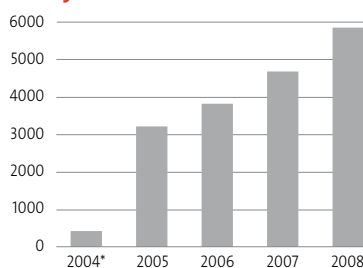
The Frequency Rate is the number of LTI's per million hours worked.

## Severity Rate



The Severity Rate of accidents is the number of days lost per million hours worked.

## Safety Tours



Regular Safety Tours are carried out at all Holcim sites to pro-actively identify and rectify existing or potential unsafe acts or situations.

\* Safety tours were initiated in 2004

# Employee Initiatives



The year has been one of stability at management level, enabling a greater focus on business improvement. Tighter labour market conditions characterised the first half of the year, but this eased towards the end of the year. The easier employment market coincided with tighter controls by the Company on replacing staff.

A greater emphasis was placed in 2008 on keeping staff informed about the Company and where it is going, with the Managing Director visiting nearly every site in the Company to meet with staff and answer their questions.

## Employee Demographics

Stability in the management team was a feature in 2008 after a number of new appointments the previous year. Despite a tight job market for most of the year, turnover remained much the same. The job market for drivers eased during the year, making it less difficult to find truck and tanker drivers. However, in the latter part of the year, concrete truck drivers leaving the Company were not replaced as the concrete market contracted.

There was very little change in organisational demographics in 2008. The slowdown in the market in the second half of the year resulted in a number of staff not being replaced, workloads being redistributed and some redundancies resulting from restructuring and reduced business activity.

## Gender

	2004	2005	2006	2007	2008
<b>All Employees</b>					
Female	10.3%	13%	12%	13%	14%
Male	89.7%	87%	88%	87%	86%
<b>Management Positions</b>					
Female	13.5%	14%	12%	12.5%	15%
Male	86.5%	86%	88%	87.5%	85%

## Turnover

	2004	2005	2006	2007	2008
Resignations	64	65	65	83	82
Retirements	6	7	5	11	4
Death in service	0	0	2	0	1
Redundancies	3	9	7	3	5
Dismissals	4	4	6	5	6
Average number staff	525	539	523	554	539
Voluntary turnover	13.3%	13.7%	13.7%	15.5%	15.2%
Total turnover	14.7%	15.7%	16.2%	18.4%	18.3%

## Age of Employees

Age Band	2004	*	2005	2006	2007	2008
15 – 39 years	30.1%	15 – 29 years	8.9%	9%	11%	12%
40 – 59 years	58%	30 – 49 years	49.4%	49%	45%	45%
60 years plus	11%	50 – 60 years	28.4%	28%	32%	25%
		60 years plus	11.9%	13%	11%	17%
Age unknown	0.9%		1.4%	1%	2%	1%

\* New Age Band applied in 2005

**Note:** Staff demographics exclude the following partly owned subsidiaries and associates: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.

### Training and Development

Holcim invests significantly in the training and development of its people. In 2008, streamlining of training systems and processes was undertaken with a focus on how we manage, schedule, record and report on training in a more proactive and co-ordinated way. These systems will be implemented in 2009.

The recruitment and selection training programme, introduced as a pilot in 2007, has now become established throughout the Company. The programme is gradually training all managers to be more skilled at selecting the right people for the right role.

Participation in Holcim Group learning and development programmes overseas declined during the year as the impact of the global credit crunch was felt and many of the forums were either cancelled or postponed. However, a number of Holcim New Zealand managers took part in Holcim Group management and leadership programmes in the first half of the year.

Two Holcim New Zealand staff joined other Holcim companies globally in 2008.

### Leadership Development

Eighteen staff identified as emerging leaders took part in a pilot programme in the middle of the year. Involving three days in the classroom and two days in an outdoor team leadership programme, the programme aimed to develop their leadership capability and provide the Company with a wider leadership base.

### Employee Survey Results

The Holcim staff survey, piloted in 2007 in seven Holcim Group companies worldwide including New Zealand, identified both strengths and areas for improvements within the Company. Site meetings were held across the country to discuss the outcomes of the survey and a series of actions were put in place to begin making these improvements.

The survey, completed by 60% of employees, showed opportunities for improvement in recognising achievement; individual assessment and feedback processes; understanding career development options; focusing on both internal and external customers; and the visibility of and communication by managers.

At the same time, staff acknowledged that Holcim had a good reputation and were proud to work for the Company; staff generally enjoyed their work and liked the processes supporting them in their work; and there was general recognition of the high importance the Company places on safety.

The survey fulfilled its objectives of showing where we are doing well; how we could improve and strengthen our ability to attract, motivate and retain good people; our work environment; and our business results.

### Holcim Values

The Holcim Values of *Strength. Performance. Passion.* have guided decision-making since the Company was rebranded six years ago. One shared set of values around the world helps Holcim to grow as one global Group, with a consistency of identity in each country.

As a result of feedback from the staff survey indicating a need for a more fully developed understanding and embedding of Holcim Values, all managers attended "Everyone Living Our Values" workshops during the year. The workshops aimed to assist managers to understand the values and their role in embedding the values at their site.



### Dialogue

Holcim New Zealand has, through the Dialogue process, provided formal and informal channels for salaried employees to talk to their manager about how they are performing. A review of Dialogue has been carried out in 2008, and subsequent improvements include training for all employees to be rolled out in 2009. This will strengthen the culture of feedback and help strengthen the actions being taken to embed Holcim Values at all levels.

### Insurances

From April 1, Holcim provided all eligible permanent employees with life, total and permanent disablement insurance cover.

### Health and Wellness

The health and wellbeing of all Holcim employees is essential to achieving our goal of Zero Harm. Every year, the Company encourages staff to take advantage of its free annual health checks.

In 2008, across all of our locations, the Company paid \$35,000 for 314 employees to have the free health checks offered to staff (39% more employees than in 2007). 22 staff used the Employee Assistance Programme to access free confidential counselling for help with work-related or personal issues. Of these 18 were self-referred and 4 were referred by their supervisor.

### Brand Integrity

Holcim Ltd released new brand specifications in January and an audit of compliance with the Holcim brand was carried out at a number of sites during the year in preparation for a Holcim Ltd brand audit in 2009.



*Participants in the pilot leadership development programme.*

# Community Initiatives

*Local community organisations participated in the Westport Works 50th anniversary parade.*

Each year, Holcim New Zealand provides support to the community through sponsorships and scholarships to support tertiary study.

These initiatives aim to maintain good relationships with the communities in which we operate, and with other key stakeholders, despite the current economic climate.

## Community Liaison

Regular meetings of community liaison groups at Westport Works and Bombay Quarry, along with a more informal community liaison network at Hastings Quarry has been a key driver in developing and maintaining positive relationships with our neighbours. The liaison groups meet several times during the year and give locals the opportunity to voice any concerns, discuss any community needs and to learn about Holcim's planned activities in the area.

At Bombay, the liaison group has brought about tree planting, noise reduction measures at the plant and sponsorship of community events. At Westport, a request from the liaison group this year led to Holcim providing an upgraded track giving safe access to Gibson's Beach, which is located near the plant.

## Tertiary Scholarships

For the last 25 years Westport Works has successfully offered scholarships providing financial support and/or holiday work opportunities for local students undertaking tertiary study.

The winner of the 2008 scholarship was Melissa Basher, who will receive \$2000 a year for up to four years of study plus work during each holiday period, while Brierley Lobb and Janelle Ranger received holiday work awards. All students are from Buller High School.

From 2009, the scheme will be extended to offer scholarships in communities around Bombay Quarry and Hastings Quarry. Preference will be given to students studying in disciplines relevant to our industry, such as science, mining, manufacturing and engineering.



## Westport Works turns 50

To celebrate its 50th anniversary, Westport Works invited local organisations to participate in a parade of "50-themed" vehicles and floats down Westport's main street, held in May. After the parade community members and staff enjoyed a barbecue and family entertainment in the town square and viewed a display of memorabilia from the plant's 50-year history.

When it opened, in November 1958, the plant had 120 staff and production was 100,000 tonnes of cement a year from one rotary kiln. Today, the plant has three kilns and produces just over 500,000 tonnes per year. The cement it has produced over the last 50 years can be seen in concrete structures all over New Zealand.

## New Community Complex

Construction of Westport's new recreation and events complex at McDonald Park is being supported by a significant contribution from Holcim New Zealand for the second year in a row. The Company has now contributed \$100,000 of its five year \$250,000 commitment towards the complex, which is due to open early in 2009 and includes an aquatic centre, dry court facility, fitness centre, hockey turf, two squash courts and seminar and meeting rooms.



### Westport Wetland Sanctuary

The creation of a wetland and bird sanctuary on eight hectares of Holcim land at Cape Foulwind was announced as a project to mark the 50th anniversary of operations commencing at Westport Works. The wetland site, used for quarrying up until the 1960s, will be turned into a unique wetland habitat complementing existing conservation projects at Cape Foulwind. Features will include a series of small lakes, a walkway around the wetland, a bird hide, and interpretative panels explaining the wetland eco-system.

To be built over five years, the project has the endorsement of the Department of Conservation and Buller District Council. The project complements the Company's 20-year rehabilitation of the Cape Foulwind quarry, which won an environmental excellence award last year. Schools and community members will be invited to participate in development of the wetland.

### Blue Penguin Study

Holcim continued its sponsorship of the West Coast Blue Penguin Trust by formalising an agreement with the Trust to sponsor a five-year campaign to safeguard the future of blue penguins on the coast. The sponsorship will cover nesting boxes, predator control and supporting research into migration and breeding patterns. Data from this research will give a scientific basis for the possible future establishment of marine reserves in the area.

Three years ago, Holcim was the first company to provide financial support to the Blue Penguin Project, enabling the trust to employ two field workers to survey large parts of the coast over two breeding seasons.



*Bombay Quarry  
Community  
Liaison Group.*

### Eco-classroom Sponsored

Holcim New Zealand is supporting the efforts of children at a Hamilton primary school to halve their ecological footprint by building New Zealand's first eco-classroom. The students, at Hukanui Primary School, researched eco-friendly building materials and, in combination with a local architect, came up with a design using natural light and ventilation, double glazing, and a concrete floor to retain heat (provided by Holcim). The project also includes solar heating for the school pool and rainwater collection for a native garden. Construction is due to start mid 2009.

### Commitment to Education

Greymouth-based Tai Poutini Polytechnic students undertaking its civil construction course were provided with access to Bombay Quarry to attend a "digger school" on an enclave site in the overburden area. Students were tutored by Holcim staff in the safe handling of diggers, loaders, trucks, compactors and rollers.

Children from Puni School, west of Pukekohe, held their annual multicultural festival at the end of March. Holcim New Zealand was one of the major sponsors of the day, which included demonstrations of flax weaving, cultural foods, and an exhibition match of Kabadi (a team sport originating in India). Holcim provided T-shirts for the children to wear.



*Used computer servers and monitors from Holcim were given to Aranui High School.*

Also wearing the Holcim name during the year were members of the Bombay Premier rugby team. Holcim has sponsored the team's rugby shirts for several years.

McDonald's Lime is sponsoring a class at Te Kuiti Primary School to take part in Kiwi Can, which aims to build self esteem by helping the children to be more confident and better prepared to handle challenges and opportunities.

Another school support initiative, this time a gift of concrete to Rongomai School in Auckland, generated a packet of 'thank-you' cards and letters from pupils.

Meanwhile, upgrades to a number of Holcim servers resulted in a windfall for Aranui High School, in Christchurch, which received servers and older computer monitors.



*Westport's new recreation and events centre is supported by a five year Holcim sponsorship.*

In September, Holcim sponsored "It Takes a Whole Village to Educate a Child," a teaching and learning conference held in Oamaru. It was attended by several hundred teachers from throughout New Zealand.

Holcim renewed its commitment in 2008 to sponsorship of a part-time teaching and research position at the University of Canterbury School of Engineering. Professor Des Bull, who holds the position, is working with the building industry on concrete construction technologies.

Holcim also assisted the Summit Road Society with the production of a "Guide to the Port Hills".

In April three staff teams took up the Oxfam Trailwalk Challenge, completing the 100km hike around Lake Taupo within 36 hours and raising funds for Oxfam.



#### **New Community Focus**

During the year, we have reviewed the way we provide community support to ensure it remains closely aligned to stakeholder and community needs. As a result, our new Community Support Programme will be put into effect in 2009.

Like other Holcim Group companies worldwide, we will now give preference to providing community support to three corporate social responsibility focus areas: education that increases future options; initiatives that support development of strong communities; and infrastructure for sustainable communities. For further information please visit [www.holcim.com/nz](http://www.holcim.com/nz)

*Environmental initiatives contributed to Oparure Quarry winning three industry awards in 2008.*

# Environmental Sustainability



# Environmental Performance

Entering awards allows independent assessment of a company's environmental credentials. Holcim New Zealand was pleased to win two environmental excellence awards during the year.

## Oparure Quarry Awards

Successfully quarrying high grade limestone while still safeguarding the integrity of significant caves nearby calls for a high standard of environmental, safety and community involvement by the quarry and this is what McDonald's Lime Oparure Quarry, New Zealand's largest lime quarry, is achieving.

Over the past five years staff and management at Oparure Quarry have worked hard to maintain positive relationships with nearby cave operators, visitors and the local community. At the same time, the quarry has reached a high level of environmental and safety performance as it goes about its business of extracting 750,000 tonnes of high-grade limestone for McDonald's Lime. This year, achieving excellence in these areas earned Oparure Quarry no less than three awards at the quarry industry's conference.

Environmental initiatives contributing to Oparure's MIMICO Environmental Award included water management through water recycling and specialised stone washing, and rehabilitation of large areas of the quarry for farming to a standard even better than before quarrying. Oparure also adopted energy efficiency measures to reduce energy consumption and carbon dioxide emissions from quarry operations. These improvements at Oparure have not only minimised effects on the environment, they have also reduced costs.

Demonstrating a high standard of care and respect for the surrounding environment won the NZ Quarry and Mining Magazine Community and Social Sustainability Award. The quarry's purchase and restoration of the neighbouring Mason's Dry Cave was noted by the award judges as a significant contribution to social sustainability and the community.

The quarry also won the Winstone Aggregate Safety Prize for its comprehensive safety programme and a safety record that included no lost time injuries (where an employee is unable to work the next shift because of an injury) since 2003.

## Alternative Fuels and Raw Materials (AFR)

### Used Oil Recovery Programme

Holcim New Zealand's award-winning Used Oil Recovery Programme (UORP) is one of the country's longest running and most successful product stewardship programmes. Now in its twelfth year, the programme uses the very high temperatures in the cement kilns at Westport Works to safely destroy the hazardous content of the used oil.

The used oil also reduces the use of non-renewable coal, reduces the amount of carbon dioxide produced per tonne of cement and makes a useful contribution to reducing Westport Works' energy costs.

UORP involves a large number of organisations including oil companies and waste oil producers who collect the used oil – mainly used engine and lubrication oils – from around the country for storage and transport to Westport Works. Most of the used oil arrives at Westport Works as backloads on Holcim New Zealand's two cement ships.

During the early part of 2008, the volume of used oil collected by the programme declined significantly. By year's end the total delivered to Westport Works was down by 24.5% to 11,620 tonnes compared to the record of 15,400 tonnes in 2007.

This sudden fall had consequences for Westport Works because expensive coal had to be sourced and delivered at short notice. But a much wider concern related to where the missing used oil had gone. A key point about used oil is that only high temperature, co-processing in a cement or lime kiln is capable of destroying the toxic properties and harmlessly incorporating the ash into the cement or lime. When used oil is burnt at relatively low temperatures to provide heat for horticultural, industrial and domestic users, heavy metals are released into the surrounding environment, along with high levels of dioxins and furans.



Investigations by Holcim New Zealand showed that the steep rise in fuel costs during late 2006 and into 2007 had resulted in many diesel and fuel oil users switching to the cheaper used oil. Many users did not have consents to burn used oil and even if they did, there was often a lack of emissions control equipment and a lack of supervision by local authorities. An urgent survey of local authorities revealed that of the annual 35 million litres production of used oil, there were only 23 consents for burning 19.1 million litres, leaving a total of 15.9 million litres of this hazardous material unaccounted for.

#### Re-using Cement Kiln Dust (CKD)

At Westport Works, CKD is a by-product of the clinker manufacturing process and is a fine-grained, alkaline material removed from the cement kilns' exhaust gases by emission control devices. Much of it can be recycled back into the production process.

Now there are two environmentally secure uses for CKD outside of the production process.

Coal producer Solid Energy Ltd has been trying to control a difficult underground fire at its Strongman Mine and used several thousand tonnes of CKD as a replacement for sand in grout being pumped into the ground to reduce air circulation to burning areas. The second use comes about because of CKD's alkaline properties, allowing Solid Energy to use it for minimizing acid rock drainage from its overburden dumps. Solid Energy supplies coal to Westport Works, so the CKD is backloaded on the coal trucks.

#### Emissions Trading System

In September 2007, the Government published "The Framework for a New Zealand Emissions Trading Scheme" in which it set out the structure of a price-based measure to help reduce New Zealand's greenhouse gas emissions and respond to its related Kyoto Protocol obligations.



*Emissions monitoring contractors at Westport Works.*

This framework document established principles underpinning a national emissions trading scheme covering "all sectors, all gases" – a uniquely broad scope of coverage.

In December 2007, the Government released the draft Climate Change (Emissions Trading and Renewable Preference) Bill, and subsequently established a parliamentary Select Committee to hear submissions on the Bill.

In a series of publications (available at [www.holcim.com/nz](http://www.holcim.com/nz)), Holcim New Zealand presented a review and evaluation of both the framework proposal and of the Bill.

Holcim New Zealand has consistently supported the application of emissions trading to the New Zealand situation, but the company had some serious concerns about the design proposed for the NZ ETS.

At the Finance and Expenditure Select Committee in April 2008, the company said the proposed Bill had not properly considered the trade-exposure risks for domestic industry, which would make the industry uncompetitive against overseas competitors. There would be no net reduction in global emissions, but there would be loss of income, jobs, and security.



The Bill's use of grandparenting as the basis of allocation of emissions units to domestic trade-exposed industry would effectively reward historical emissions and discourage new investment in energy efficient production technology. The Bill also failed to promote the use of comparative energy efficiency, or comparative emissions intensity, as the basis for performance measurement in an emissions trading scheme – an approach long-advocated by Holcim New Zealand.

None of our concerns was ultimately reflected in the final form of the Climate Change Response (Emissions Trading) Amendment Act, which was enacted in September 2008.

Subsequently, the Company's Group Manager – Energy and Climate Change, Michael Rynne, was invited by the then Minister to participate in a private expert capacity in the Technical Advisory Group (TAG) given the task of drafting regulations for the NZ ETS covering stationary energy and industry. The TAG work program was completed in October 2008, just prior to the general election.

It remains to be seen if the review of the legislation called for by the new government will enable a more workable and equitable outcome for Holcim New Zealand, and for industry in general. As always, the Company intends to continue its record of constructive participation in what has been a lengthy and fraught process.

#### Holcim (New Zealand) Ltd Environmental Plan 2008

Targets for 2008	Status	Detail
Maintain certification to the ISO14001 standard for environmental management for all sites.	✓	Ongoing improvements to the environmental management system in conjunction with internal and external auditing.
Ensure zero fines and prosecutions under the Resource Management Act 1991.	✓	No fines or prosecutions received during 2008.
Undertake research on issues identified as a priority for sustainability.	✓	Sustainable work group formed. Research published regarding sustainable development and quarrying, algae biofuel, the disposal of used oil in New Zealand and uptake of CO <sub>2</sub> in concrete.
Progress environmental Improvements at Westport Works.	✓	Planned environmental improvements completed.
Produce a carbon management plan for non-cement business.	Partly completed	Draft Energy Strategy produced.
Achieve at least one external award for sustainability.	✓	External awards received: MIMICO Environmental Excellence Award – Oparure Quarry. Q&A Magazine Community and Social Sustainability Award – Oparure Quarry. Winstone Safety Award – Oparure Quarry. CCANZ Concrete3 Sustainability Award – Project Century (Holcim / Mainzeal).
Develop strategies for reducing priority waste streams.	✓	Projects established to minimise key wastes from operations.
Review Environmental Auditing Programme.	✓	Regular environmental auditing schedule established.

# Holcim New Zealand Executive Team



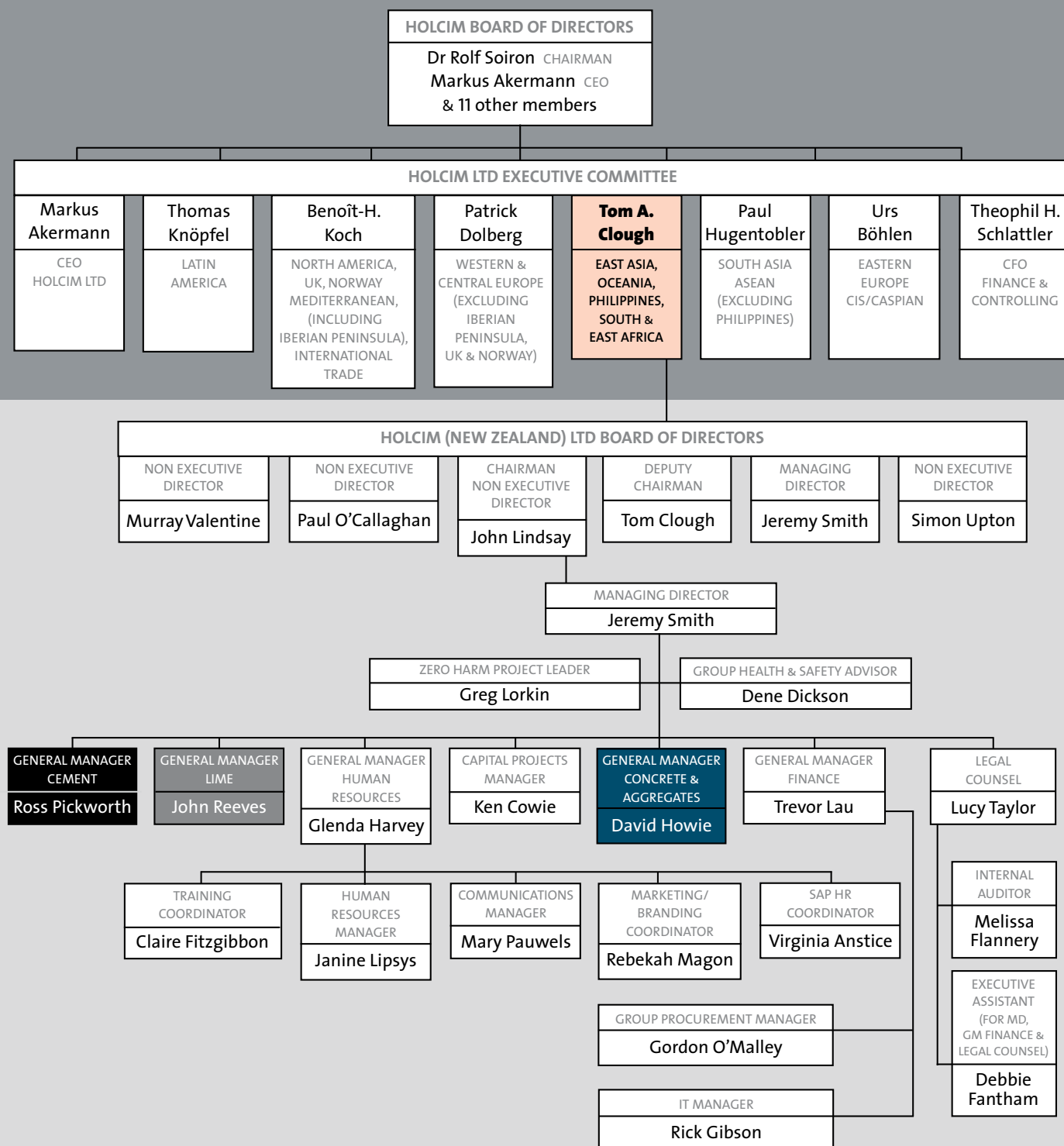
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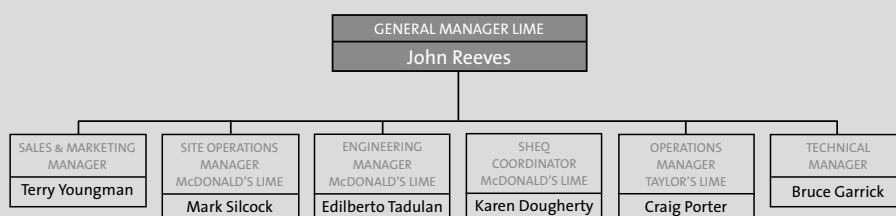
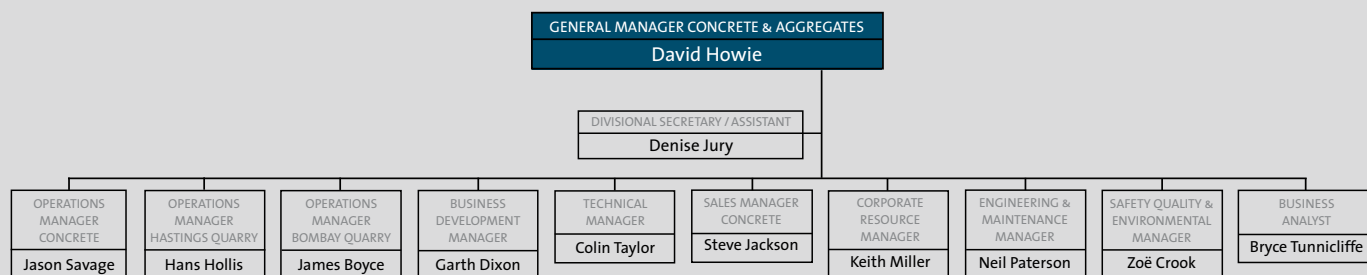
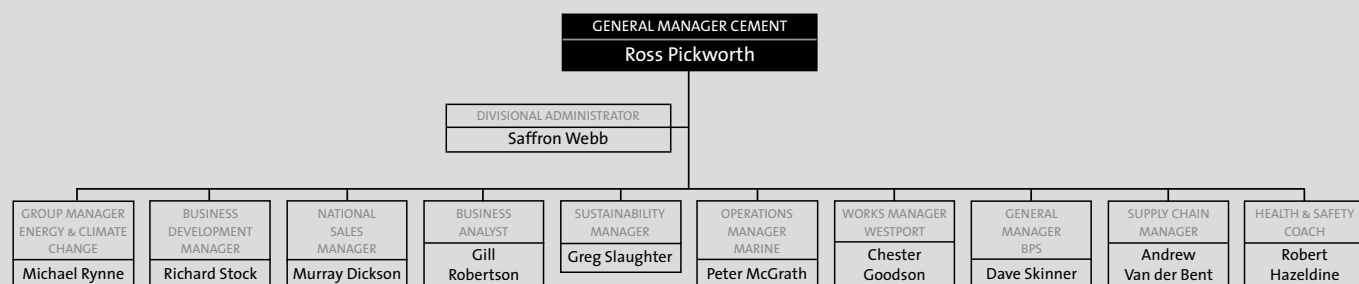
John Reeves  
Ken Cowie  
Trevor Lau  
Jeremy Smith  
David Howie  
Glenda Harvey  
Ross Pickworth  
Lucy Taylor

GENERAL MANAGER - *Lime*  
CAPITAL PROJECTS MANAGER  
GENERAL MANAGER - *Finance*  
MANAGING DIRECTOR  
GENERAL MANAGER - *Concrete and Aggregates*  
GENERAL MANAGER - *Human Resources*  
GENERAL MANAGER - *Cement*  
LEGAL COUNSEL

As at January 2009

# Company Structure





As at January 2009

# Directory

## Holcim (New Zealand) Ltd – Directors

John Lindsay *(Chairman)*

Tom Clough *(Deputy Chairman)*

Murray Valentine

Paul O'Callaghan

Simon Upton

Jeremy Smith *(Managing Director)*

### AUDITORS

PricewaterhouseCoopers

### SOLICITORS

Anthony Harper

### BANKERS

ANZ National Bank Limited

Bank of New Zealand

Citibank N.A

Westpac Banking Corporation

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Fax + 64 3 339 7499

enquiries-nz@holcim.com

www.holcim.com/nz

## Operating Subsidiaries – Directors

### AML LIMITED

Jeremy Smith

Trevor Lau

Scott O'Donnell

Jocelyn O'Donnell

*50% Holcim (New Zealand) Ltd owned. Concrete company*

### BULLER PORT SERVICES LIMITED

Jeremy Smith

Ross Pickworth

Andrew Van der Bent

*100% Holcim (New Zealand) Ltd owned.*

*Holds management contract for Port of Westport*

### MCDONALD'S LIME LIMITED

Jeremy Smith

John Lindsay

John Reeves

Anthony Burg

Ron Gillespie

Ross Murray

*72% Holcim (New Zealand) Ltd owned. Lime manufacturer*

### MILLBROOK QUARRIES LTD

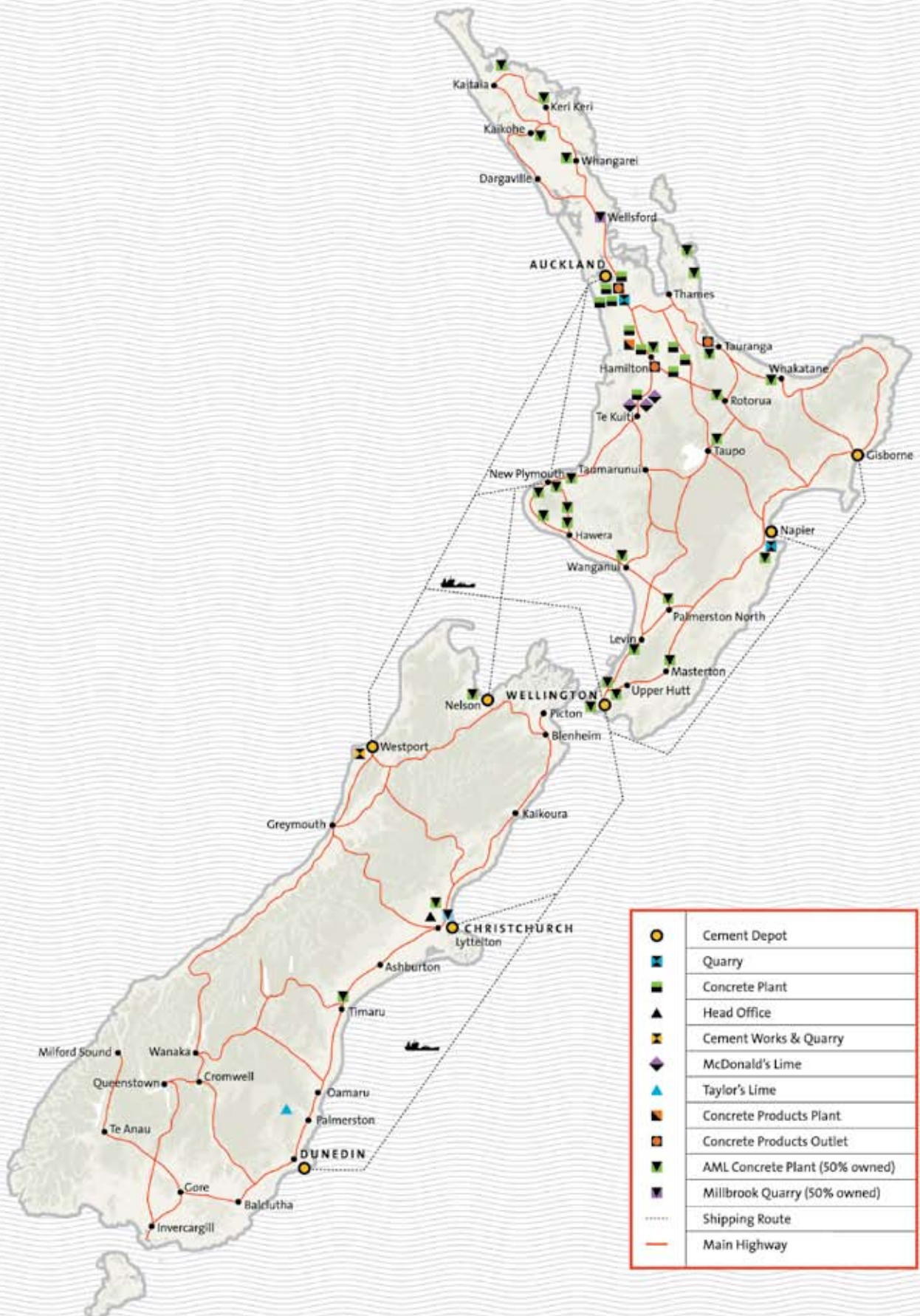
Jeremy Smith

David Howie

Stephen Dodd

Phillip Schmidt

*50% Holcim (New Zealand) Ltd owned. Aggregates quarry*





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